



South Davis Recreation District

Financial Statements and Independent Auditors' Report

December 31, 2006

South Davis Recreation District

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**Haynie &
Company**

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
South Davis Recreation District
Bountiful, Utah**

We have audited the accompanying financial statements of **South Davis Recreation District** (the District) as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2007 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Haynie & Co.

Salt Lake City, Utah
June 28, 2007

Management's Discussion and Analysis

The following is a discussion and analysis of South Davis Recreation District (the District) for the year ended December 31, 2006. This is the third period of operation for the District. This discussion will contain comparative analysis.

Financial Highlights

- ◆ The assets of the District exceeded its liabilities as of the close of the most recent year by \$3,217,129.
- ◆ The District's total net assets increased by \$1,556,724.

Overview of the Financial Statements

The District is not included in any other governmental "reporting entity" and there are no component units as defined in GASB Statement 14 that are included in the District's reporting entity. The District was formed in 2004 by the Board of County Commissioners of Davis County to construct and operate recreational facilities and services within the geographical boundaries of south Davis County.

This discussion and analysis is intended to serve as introduction to the South Davis Recreation District's basic financial statements. The District's basic financial statements are comprised of two components: 1) government-wide financial statements, and 2) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net Assets provides an overview on all of the District's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Financial Statements

The notes accompanying the financial statements provide additional information that is essential to a full understanding of the District's financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2006, the District's assets exceeded liabilities by \$3,217,129.

South Davis Recreation District - Net Assets

	Proprietary Activities 2006	Proprietary Activities 2005
Current and other assets	\$ 4,757,158	\$ 18,164,837
Noncurrent assets	<u>20,471,799</u>	<u>5,789,534</u>
Total assets	\$ 25,228,957	\$ 23,954,371
Current and other liabilities	\$ 2,163,878	\$ 2,094,367
Noncurrent liabilities	<u>19,847,950</u>	<u>20,215,000</u>
Total liabilities	\$ 22,011,828	\$ 22,309,367
Invested in capital assets, net of related debt	\$ 2,571,261	\$ 348,054
Unrestricted	<u>645,868</u>	<u>1,296,950</u>
Total net assets	\$ 3,217,129	\$ 1,645,004

South Davis Recreation District - Changes in Net Assets

	Proprietary Activities 2006	Proprietary Activities 2005
Operating revenues:		
Operating revenues - charges for services	\$ 87,112	\$ -
Donation	-	53,025
Other	-	570
Total operating revenues	87,112	53,595
Operating expenses:		
Administrative	366,410	55,575
Facilities and property	31,387	-
Legal and audit	22,967	22,283
Insurance	3,952	24,022
Total operating expenses	424,716	101,880
Operating income (loss)	(337,604)	(48,285)
Nonoperating revenues (expenses)		
Interest and dividend revenue	552,051	435,080
Property tax revenue	2,051,159	2,105,816
Tourism tax revenue	119,619	-
Interest expense	(816,273)	(831,163)
Amortization of deferred financing costs	(11,229)	-
Depreciation of property and equipment	-	-
Other	(999)	-
Total nonoperating revenues (expenses)	1,894,328	1,709,733
Change in net assets	1,556,724	1,661,448
Net assets - beginning of year	1,660,405	(1,043)
Net assets - end of year	\$ 3,217,129	\$ 1,660,405

South Davis Recreation District - Capital Assets
(net of depreciation)

	Proprietary Activities 2006	Proprietary Activities 2005
Property and equipment, net	\$ 192,209	\$ -
Construction in progress	20,094,039	5,592,750
Total	\$ 20,286,248	\$ 5,592,750

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current year, the District had total debt outstanding of \$20,130,618. The debt represents general obligation bonds and a note payable.

South Davis Recreation District - Outstanding Debt

	Proprietary Activities 2006	Proprietary Activities 2005
General obligation bond	\$ 18,215,000	\$ 18,400,000
Note payable	1,915,618	2,000,000
Total	\$ 20,130,618	\$ 20,400,000

Economic Factors and Next Year's Budget

During 2006, the District's primary focus has been on organization and construction of its recreational facilities. The focus in 2007 will be to complete the construction of facilities and begin operating the facilities.

The organization and operation of the District is the result of an ongoing collaboration between the south Davis County cities of Bountiful, Centerville, North Salt Lake, West Bountiful, and Woods Cross along with the unincorporated portions of south Davis County. Each city has provided a representative to the board to provide governance for the new entity. Bountiful City has provided a substantial contribution through ongoing staff support through 2006 to get the District operating. During 2006, the District has hired a full-time director and staff to operate the District long-term. From 2005 on, the District operations have been and will be supported by a combination of admission fees and general property tax revenues from assessments to residents of the surrounding south Davis communities served by the District. Heavy usage of the new facility is expected and the facility design was planned to accommodate this usage.

Requests for Information

The financial report is designed to provide a general overview of the South Davis Recreation District finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Bountiful City Manager or the District Treasurer, c/o City of Bountiful, 790 South 100 East, P.O. Box 369, Bountiful, Utah 84011-0369. Or contact Brian McKenzie c/o Davis County Clerk/Auditor P.O. Box 618, Farmington, Utah 84025.

South Davis Recreation District

Statement of Net Assets

December 31

2006

Assets

Current assets:

Cash and cash equivalents	\$ 1,248,880
Restricted cash and cash equivalents	3,204,382
Property tax receivable	303,896

Total current assets 4,757,158

Other assets:

Property and equipment, net	192,209
Construction in progress	20,094,039
Deferred bond issue costs, net	185,551

Total other assets 20,471,799

Total assets \$ 25,228,957

Liabilities

Current liabilities:

Accounts payable	\$ 102,863
Liabilities payable from restricted assets	1,413,751
Accrued liabilities	22,264
General obligation bonds due within one year	625,000

Total current liabilities 2,163,878

Non-current liabilities:

Deferred revenue from season passes	340,991
Note payable	1,915,618
General obligation bonds due after one year	17,590,000
Deferred compensation and retirement plan payable	1,341

Total non-current liabilities 19,847,950

Total liabilities 22,011,828

Net assets

Investment in capital assets net of related debt	2,571,261
Unrestricted	645,868

Total net assets 3,217,129

Total liabilities and net assets \$ 25,228,957

See accompanying notes to financial statements

South Davis Recreation District
Statement of Revenues, Expenses, and Changes in Net Assets

For the year ended December 31		2006
Revenues:		
Recreation	\$	87,112
Other		-
Total revenues		87,112
Operating expenses:		
Personnel		317,967
Administrative		48,443
Facilities and property		31,387
Legal and audit		22,967
Insurance		3,952
Total operating expenses		424,716
Operating income (loss)		(337,604)
Non-operating revenues (expenses):		
Interest and dividend revenue		552,051
Property tax revenue		2,051,159
Tourism tax revenue		119,619
Interest expense		(816,273)
Amortization of deferred financing costs		(11,229)
Depreciation of property and equipment		-
Other		(999)
Total non-operating revenue (expenses)		1,894,328
Net income (loss)		1,556,724
Net assets, beginning of year		1,660,405
Net assets, end of year	\$	3,217,129

See accompanying notes to financial statements

South Davis Recreation District

Statement of Cash Flows

For the year ended December 31	2006
Cash flows from operating activities:	
Receipts from customers and users	\$ 428,103
Payments to suppliers of goods and services	(811,449)
Payments to employees and other operating cash payments	(316,626)
Net cash provided (used) by operating activities	(699,972)
Cash flow from investing activities:	
Interest and dividend income	552,051
Net cash provided (used) by investing activities	552,051
Cash flows from capital and related financing activities:	
Proceeds from property tax revenue	2,417,296
Proceeds from tourism tax revenue	119,619
Acquisition and construction of capital assets	(14,343,886)
Principal paid on bond	(185,000)
Principal paid on note payable	(84,382)
Interest paid on bond and note payable	(816,273)
Other non-operating activities	(995)
Net cash provided (used) by capital and related financing activities	(12,893,621)
Net increase (decrease) in cash and equivalents	(13,041,542)
Cash and equivalents, beginning of year	17,494,804
Cash and equivalents, end of year	\$ 4,453,262
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities	
Loss from operations	\$ (337,604)
Adjustments to reconcile operating income (loss) to net cash from operating activities	-
Increase (decrease) in current liabilities:	
Accounts payable	102,056
Accrued liabilities	(802,028)
Net cash from operating activities	\$ (699,972)

See accompanying notes to financial statements

South Davis Recreation District

Notes to Financial Statements

Note 1 - Organization

Reporting entity - South Davis Recreation District (the District) was established, in 2004, by resolution of the Board of County Commissioners of Davis County, and is defined as a "Special District" pursuant to the provisions of Title 17A of the Utah Code. The purpose of the District was to construct and operate recreational facilities, and services within its geographical boundaries, which includes the South Davis county cities of Bountiful, Centerville, North Salt Lake, West Bountiful, and Woods Cross and unincorporated areas contained within their geographical boundaries. The District is not included in any other governmental "reporting entity" and there are no component units as defined in GASB Statement 14 that are included in the District's reporting entity.

Note 2 - Summary of Accounting Policies

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District has elected, under GASB Statement 20, to follow the pronouncements issued by the Financial Accounting Standards Board, unless those pronouncements conflict with or contradict GASB pronouncements.

Financial statement presentation and basis of accounting - The District prepares its financial statements on an enterprise fund basis. Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private businesses, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Accordingly, the District's financial statements are presented on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned and expenses are recorded when liabilities are incurred.

Restricted cash - The District maintains a bond escrow account for the funds relating to the 2004 General Obligation bond. These funds are to be used for the payment of the construction costs related to the new recreation facility.

Cash and cash equivalents - All funds deposited in the checking, state treasurer's investment pool, and construction escrow account are considered cash and cash equivalents for cash flow statement purposes.

Season passes - The District offers season passes for all of the facilities and services provided by the District. Season passes were sold beginning in July 2006. At December 31, 2006, the construction was not complete and the facility was not available to the public. Such passes are valid for the twelve months beginning in March 2007. Revenues derived therefrom are reflected in the accompanying financial statements as deferred revenues and will be amortized into income over the ensuing twelve months. Season Passes sold after January 1, 2007 will be recognized into revenues over the twelve month period to which they apply.

South Davis Recreation District

Notes to Financial Statements (continued)

Note 2 - Summary of Accounting Policies (continued)

Estimates and assumptions - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property tax revenues - Property tax rates are set in June of each year by the Board of Trustees for the District. The Davis County Assessor assesses a value (an approximation of market value) as of January 1 of each year for all real property. These property tax rates will be used for assessing property taxes on all property located within the geographical area of the District. The County Assessor must assess property before May 22 of each year. The property taxes assessed become delinquent after November 30. The District's certified tax rate in Davis County for 2006 was 0.000441, of which approximately 70% was appropriated by debt service of the general obligation bonds, and the balance for operations and maintenance.

Note 3 - Cash, Cash Equivalents, and Investments

The District has funds deposited in a cash account, an investment pool, and an escrow account. Funds in the escrow account are invested in the Utah State Treasurer's investment pool.

Investment policy - The District's investment policies are governed by Utah State Statutes. District funds can be invested in any of the following, subject to restrictions in the Utah Money Management Act and restrictions imposed by the District's investment policy: (1) obligations of the U.S. Treasury and most Government-Sponsored Agencies; (2) commercial paper and restrictions imposed by the District's investment policy; (3) banker's acceptances; (4) publicly traded fixed rate corporate obligations (5) certain variable rate securities and deposits; (6) deposits with the State Public Treasurer's Investment Fund; and (7) certain fixed rate negotiable deposits with a certified depository. The District may not enter into repurchase agreements or a reverse-repurchase agreement.

Deposits - Utah State law requires funds to be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution that has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah money Management Act. Rule 11 establishes the formula for determining the amount of public funds that a qualified depository may hold in order to minimize risk of loss and defines capital requirements that an institution must maintain to be eligible to accept public funds.

Investments - The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. All security transactions are to be held in safekeeping by a third-party institution that has been certified by the Utah Money Management Council and designated by the District Treasurer.

South Davis Recreation District

Notes to Financial Statements (continued)

**Note 3 - Cash, Cash
Equivalents, and
Investments
(continued)**

As of December 31, 2006, the District had the following deposits and investments:

	Fair Value
Cash on deposit	\$ 783,328
Utah State Treasurer's investment pool account	3,669,934
Total cash and investments	\$4,453,262

Credit ratings are not applicable for these items. These amounts are demand deposits and have no weighted average maturity.

The District's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing only in the Utah Public Treasurer's Investment Fund.

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. As of December 31, 2006, the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk - deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it.

Custodial credit risk - investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's investments in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

South Davis Recreation District

Notes to Financial Statements (continued)

Note 4 - Property and Equipment

The following is a summary of changes in property and equipment for the year ended December 31, 2006:

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Capital assets not being depreciated:				
Machinery and equipment	\$ -	\$ 19,258	\$ -	\$ 19,258
Recreational equipment	-	137,448	-	137,448
Office furniture and equipment	-	26,502	-	26,502
Vehicles	-	9,000	-	9,000
Construction in progress	5,592,750	14,501,290	-	20,094,040
Total capital assets not being depreciated	\$ 5,592,750	\$ 14,693,498	\$ -	\$ 20,286,248

Depreciation of capital assets will begin on March 1, 2007, the approximate date the recreation facility was opened to the public.

Note 5 - Long-term Debt

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2006:

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06	Due Within One Year
General obligation bond	\$ 18,400,000	\$ -	\$ 185,000	\$ 18,215,000	\$ 625,000
Note payable	2,000,000	-	84,382	1,915,618	-
Total long-term debt	\$ 20,400,000	\$ -	\$ 269,382	\$ 20,130,618	\$ 625,000

The General Obligation Bond was issued in December 2004 as a direct obligation of the District. Interest is payable semiannually at 4.5%. The following summarizes the District's debt service requirements as of December 31, 2006:

Year	Principal	Interest	Total
2007	\$ 625,000	\$ 771,897	\$ 1,396,897
2008	640,000	752,922	1,392,922
2009	660,000	733,422	1,393,422
2010	680,000	711,197	1,391,197
2011	700,000	684,872	1,384,872
2012-2016	3,950,000	2,972,763	6,922,763
2017-2021	4,850,000	2,066,045	6,916,045
2022-2026	6,110,000	762,494	6,872,494
	\$ 18,215,000	\$ 9,455,612	\$ 27,670,612

South Davis Recreation District

Notes to Financial Statements (continued)

Note 5 - Long-term Debt (continued)

On September 8, 2005, the District entered into an inter-local agreement with Davis County and Bountiful City to receive an additional \$2,000,000 as a loan to construct facilities that were previously eliminated due to budget constraints. The inter-local agreement provides for the \$2,000,000 from Bountiful City as a loan which will be repaid by Davis County tourism funds over a ten-year period at 3.5% interest. The District's obligation under this agreement is to (1) build its facility according to plans and specifications established by the Board and (2) accept payments from the County tourism fund each year and disburse those funds to Bountiful City in satisfaction of the loan. In the unlikely event that the County is unable to make this payment to the District, the District is not obligated to make the corresponding payment to Bountiful City.

Note 6 - Risk management

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District has commercial insurance.

Note 7 - Commitments

The District has a contract with an architect and a general contractor for the design and construction of a recreational facility that includes an aquatic center, an ice sheet, a fitness and aerobic area, racquetball courts, a running track, and other administrative areas. At May 31, 2007, the balance to complete the contract, including retainage of \$491,161, amounted to \$891,619.

In 2005, the District entered into an inter-local agreement with the Davis County School District. Under the terms of this agreement, the school district entered into separate construction and architectural contracts for the construction of the gymnasium facility that was included as part of the recreation facility. The District has the right to use the gymnasium for recreation activities when school is not in session.

Note 8 - Subsequent Events

The recreation center facilities were substantially completed and opened for public use in early March 2007, with the exception of the outside water feature which is to be completed in July 2007.

In May 2007, Bountiful City donated \$1,100,000 to the District to provide for additional enhancements to the facility that were not included in the proceeds from the general obligation bonds and the inter-local agreement with Davis County.



**Haynie &
Company**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Directors
South Davis Recreation District**

We have audited the basic financial statements of **South Davis Recreation District** (the District) as of and for the year ended December 31, 2006, and have issued our report thereon dated June 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the board of trustees, management, and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Haynie & Co.

Salt Lake City, Utah
June 28, 2007



**Haynie &
Company**

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**REPORT ON LEGAL COMPLIANCE APPLICABLE TO UTAH STATE LAWS
AND REGULATIONS**

**Board of Directors
South Davis Recreation District**

We have audited the financial statements of **South Davis Recreation District** (the District) for the year ended December 31, 2006 and have issued our report thereon dated June 28, 2007. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Special Districts
Other General Compliance Issues

The District did not receive any major or non-major State grants for the year ended December 31, 2006.

The management of **South Davis Recreation District** is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the general requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Haynie & Co.

Salt Lake City, Utah
June 28, 2007

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South Davis Recreation District

Schedule of Findings - Compliance - State of Utah

For the year ended December 31

2006

CURRENT YEAR FINDINGS

No current year findings

PRIOR YEAR FINDINGS

No prior year findings